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SUBJECT: MOBIL ACCOMPLISHES OBJECTIVES IN MICRONESIA, SHARES TIPS FOR SUCCESS

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CLASSIFIED BY: Miriam K. Hughes, Ambassador, Amembassy Kolonia, State.

REASON: 1.4 (b), (d)

11. (C) SUMMARY. Where two previous Mobil executives failed, Guam Mobil President Kamal Singh succeeded in piloting a smooth withdrawal of Mobil from an unprofitable market in the Federated States of Micronesia (FSM). In a farewell breakfast with the Ambassador, he shared valuable tips that enabled him to guide the Micronesians to launch their own national petroleum company.

Against all odds, this fledgling company, Petro Corp, has become a viable entity. Singh said he steered the Micronesians away from Chinese loans, which he viewed as entangling. He emphasized the need to deal firmly but respectfully with the Micronesians on their home turf, building informal relationships and showing them painstakingly "how to get from A to Z." Lessons learned have broad applicability, including for Compact administration. End Summary.

AGAINST ALL ODDS

12. (SBU) At breakfast with Ambassador Hughes on March 21, Guam Mobil President Kamal Singh (Fijian) announced that he had received an unexpected promotion. Singh will transfer shortly to Singapore, where he will take charge of Mobil operations throughout the Asia-Pacific region. Singh acknowledged that the promotion was recognition of his successful efforts in the FSM. Where his two predecessors had failed, Singh succeeded in negotiating a graceful exit from Micronesia's relatively insignificant market. At the same time, he did not abandon this traditional and vulnerable Pacific customer of over forty years.

Mobil will continue to sell fuel to the FSM for the next five years and to oversee quality assurance and technical personnel for one year.

13. (SBU) Step by step, Singh guided the Micronesians to launch a national petroleum company of their own, Petro Corp, which is now working well. Few observers thought this could happen in a nation of low managerial capacity and considerable political disunity.

14. (SBU) Singh said the last holdout in the FSM, the State of Kosrae, which has long purchased its fuel independently, had finally come on board to comply with Petro Corp's central purchasing authority. (Kosrae had been receiving a cheaper purchase rate from South Korean tankers.) Singh negotiated the agreement in which Mobil will remain the sole provider of petroleum to the FSM for the next five years with the aim of

easing the FSM's transition. The agreement requires Petro Corp to deposit full payment for fuel deliveries in the Bank of Guam before a Mobil supply tanker departs from Singapore. Through computer graphics, Mobil monitors current storage levels in all FSM fuel storage tanks. Mobil also agreed to oversee maintenance and quality assurance for the first year of Petro Corp operations.

15. (SBU) Singh convinced the Micronesians to hire an expatriate chief executive officer for a period of three to five years. CEO Jared Morris (Fijian) is a petroleum adviser and expert in the Pacific region. Singh emphasized that only a foreigner could maintain objectivity and steer a clear course for the benefit of the enterprise itself. Otherwise, extended family obligations and political entanglements distort professional activities in the FSM, he said.

16. (C) Singh additionally emphasized the need to engage with the Micronesians constantly, consistently and informally in order to make progress. He observed that all the Micronesians with whom he dealt were intelligent, subtle and articulate, including FSM President Mori, Vice President Alik and Secretary of Resources and Development Peter Christian. "They all had smart vision," Singh said. However, he lamented, these leaders of a fragile and immature nation "did not know how to get from A to Z." He counseled, "You must guide them closely." To achieve his objectives, Singh said that for 18 months, he arrived in the FSM capital island of Pohnpei every Friday afternoon and devoted all his weekends to negotiating. He used a private dining room at the Cliff Rainbow Hotel (owned by Secretary Christian) to meet informally with Micronesians, often separately from one another, in order to build confidence. Singh described his Micronesian interlocutors as "eloquent but obfuscatory." He emphasized the

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need to "tease out their intentions." Every Monday, Singh flew back to Guam.

#### AVOIDING SWEET DEALS FROM CHINA

17. (C) Throughout the delicate process of Mobil's divestiture, Singh said the People's Republic of China was extremely active with counter-offers (reftel). China funded various trips to China of Secretary Christian and others and offered concession loans at a rate of 3 percent interest to cover the purchase of FSM fuel storage tanks, maintenance services and provision of fuel. At a certain point, the Micronesians confided in Singh and allowed him to review draft contracts from China. Singh said the loan agreements contained clauses that could have locked the FSM into a web of obligations that the Micronesians would be unable to fulfill.

18. (C) When Singh explained these pitfalls, the Micronesians demonstrated comprehension. They eventually rejected the offers from China. Petro Corp purchased the fuel storage tanks in all four states with the benefit of a loan from the Bank of Guam at 8 percent interest. Singh additionally obtained a commitment for the FSM to purchase fuel from Mobil only with advance payments to the Bank of Guam. "Our fuel tankers will not disembark from Singapore (for the FSM) until the money is in the bank," Singh said. Mobil also tracks the capacity and storage levels of all FSM fuel tanks by means of computer graphics.

#### HOW TO WIN INFLUENCE WITH THE MICRONESIANS

¶9. (SBU) Singh summarized the lessons he learned through the trial and error of intense negotiations, which may be useful to others, including:

--Listen Carefully. Micronesians frequently do not say what they mean. Perhaps owing in part to their experience with various colonial masters, they tend to smile, express agreement or acknowledge statements impassively without registering disagreement. "Don't assume they are with you," Singh said. Their expressed views must be massaged, tested and shaped over time.

--Engage on the Ground. "Be there for them," Singh said, explaining that influence is exerted only through persistent, personal contact, which helps build relationships among a very insular people. When attempted by long distance, confidence building invariably suffers.

--Choose an Informal, Private Setting. Micronesians are cautious in the office and in the company of one another. Meet in the privacy of a home or a restaurant.

--Help the Micronesians Connect the Dots. In the traditional island cultures, best efforts are generally aimed at achieving consensus rather than getting results. While the Micronesians frequently articulate astute visions, Singh observed they lack the practice of delineating and implementing follow-up steps. "Help them connect the dots," he said.

--Put an Expatriate at the Steering Wheel, for the Time Being. Do not hand off a new project or enterprise at too early a stage. An untested Micronesian at the helm of a weak institution may be subject to family, cultural and political pressures that undermine objectives.

--Respect and Patience are Keys to Cooperation. While messages must be consistent and firm, respect is the cornerstone of successful communication with the Micronesians. In the

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Micronesian context, dignity, patience and consensus-building are most important. "Respect, respect, respect," Singh emphasized as a key to success.

COMMENT: GUIDING PRINCIPLES FOR COMPACT ADMINISTRATION

¶10. (SBU) The Mobil President's tips, which he shared forthrightly, track with the Embassy's perceptions. These lessons are not easily learned or practiced, especially with the time constraints and pressure for results that most westerners face. However, they are worth the attention of anyone who seeks to achieve objectives in the FSM.

¶11. (SBU) Implementation of the amended Compact, which predominates in the bilateral relationship, has been

particularly arduous and fraught with frustrations, arising in part from the Micronesians' inability to easily design programs, grasp performance measurement concepts and adhere to U.S. federal fiscal procedures that they find very complicated. We urgently need development specialists on the ground to build relationships, accountability, and confidence day by day, helping the Micronesians get from A to Z to make adjustments that are vital to their modernization and stability.

HUGHES